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FISCAL IMPACT STATEMENT

LS 6365

BILL NUMBER: SB 417

NOTE PREPARED: Jan 6, 2015

BILL AMENDED:

SUBJECT: Indiana Health Exchange.

FIRST AUTHOR: Sen. Tallian

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes the Indiana Health Insurance Exchange (HIX). The bill requires the Commissioner of the Department of Insurance (DOI) to design, implement, and administer the HIX in accordance with federal law. The bill also specifies certain exchange-related requirements, including financial requirements and health plan certification requirements.

Effective Date: July 1, 2015.

Summary of NET State Impact: Under the bill, the HIX would be established and operational no later than the open enrollment period prior to CY 2018. As a result, state costs to implement and operate the HIX will depend on administrative decisions and approval by the federal Centers for Medicare and Medicaid Services (CMS). The estimated implementation costs of \$138M would occur in the year preceding the first year of HIX operation, and the annual operating costs are estimated to be \$39.1 M per year.

If the state were to utilize a user fee similar to the 3.5% assessed on plans sold through the federally facilitated marketplace (FFE), the state could receive between \$16.7 M and \$38.4 M in annual revenue in the first year of operation. Additional sources of revenue to fund the HIX include assessments on insurance carriers, navigator and insurance producer license and certification fees, Medicaid cost allocations, and advertising. The following table illustrates the estimated net state impact, but does not take into account any additional sources of revenue to fund the HIX besides the 3.5% user fee.

Year	Estimated HIX Costs	Estimated Revenue	Net State Impact
Year Preceding Operation (“Start Up”)	(\$138 M)	--	(\$138 M)
First Year of Operation	(\$39.1 M)	\$16.7 M and \$38.4 M	(\$0.7 to \$21.6 M)

Explanation of State Expenditures: *Summary:* The following table illustrates estimated costs for the first full year of HIX operation.

Year	HIX Operation Costs
Implementation or “Start Up” Costs (in year preceding first year of HIX operation)	\$138 M
Costs during first year of HIX operation	\$39.1 M

Additional Information: The bill requires the HIX to issue qualified health plans with effective dates no later than January 1, 2018. This would require the HIX to be operational no later than the open enrollment period immediately preceding CY 2018.

Information was obtained from the states of Kentucky, Colorado, Vermont, and California regarding their implementation and annual operation costs. This information was used to calculate the cost per estimated SBE user. The following table illustrates the per user cost for each state.

State	Per User Implementation Cost	Per User Operation Cost
Kentucky	\$500	\$200
Vermont	\$1,050	\$210
Colorado	\$640	\$130
California	\$190	\$130
Average	\$600	\$170

With an estimated 230,000 potential SBE users in the state, implementation costs are estimated to be \$138 M and \$39.1 M in operational costs annually thereafter.

There are no federal grant funds available for the establishment of an SBE after 2014. As a result, any costs of implementing and operating an SBE would come from state funds and possibly from other funding sources outlined below in *Explanation of State Revenues*.

Explanation of State Revenues: *Summary:* Depending on legislative and administrative decisions, this bill could increase revenue the state receives from monthly user fees paid by individuals who obtain insurance products from the state-based HIX or from fees on insurers selling products on the HIX. If the state were to

maintain the same 3.5% user fee assessed on insurance plans obtained through the FFE, the state could receive between \$16.7 M and \$38.4 M in annual revenue.

Additional Information: Currently, state residents who select a qualified health plan on the FFE are assessed a fee of 3.5% of the selected plan's premium. The weighted average premiums for qualified health plans offered in the state on the FFE are between \$300 and \$400 monthly. There are an estimated 230,000 individuals in the state who are eligible to enroll in a marketplace plan, with a reported 132,500 state residents who have already selected a marketplace plan.

If the state were to maintain this 3.5% assessment fee, the state could receive between \$16.7 M and \$22.3 M from those state residents who have already selected a marketplace plan. The state could receive approximately \$29.0 M and \$38.4 M in assessment fee revenue if all 230,000 individuals who are eligible to enroll in a marketplace plan do so.

The state could choose to assess user fees immediately since Indiana would be transitioning from an FFE. To the extent this occurs, state costs to establish a state-based exchange in the last year of FFE participation could be mitigated. Other potential sources of revenue to finance state HIX operation include assessments on insurance carriers, navigator and insurance producer license and certification fees, Medicaid cost allocations, and advertising.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA, DOI.

Local Agencies Affected:

Information Sources: Kaiser Family Foundation; Karen Cantrell, Kentucky Cabinet for Health and Family Services; Carrie Banahon, Executive Director Kentucky Kynect; Milliman Report; Seema Verma; Center for Medicare and Medicaid Services; National Conference of State Legislatures; U.S. Department of Health and Human Services; Nolan Langweil, Vermont Legislative Joint Fiscal Office; Martin Shaw, California Legislative Analyst's Office; Amanda King, Colorado Legislative Council.

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